

(1) BUSINESS AND OCCUPATION TAX. Dentists, dental laboratories, and physicians are subject to the business and occupation tax as follows:

(a) SERVICE AND OTHER BUSINESS ACTIVITIES. These persons are taxable under the service and other business activities classification on the gross income from charges for performing professional services.

(i) This includes any separate charge to the patient for drugs, medicines, and other substances used by a dentist, or physician, or administered to a patient as part of the dental or medical services to the patient.

(ii) Dental laboratories provide professional services. The product which results from those services is merely evidence of those services. Dental laboratories are taxable under the service and other business activities classification on income from providing their services.

(b) RETAILING. A physician or a medical clinic may occasionally make sales of drugs as a convenience to a customer with the sale not being part of the medical services to the patient. These sales are taxable under the retailing classification. The retailing classification applies only when the physician or medical staff do not administer the drug or other medicine to the patient. Adequate records must be kept by the business to distinguish drugs which are administered as part of a medical service from those which are sold outright.

(2) RETAIL SALES TAX. Dentists, dental laboratories, and physicians primarily perform professional services and are not required to collect the retail sales tax from clients and others paying for such services.

(a) Sales by supply houses to such persons of materials, supplies, and equipment which are used incidentally in performing professional services are retail sales and the retail sales tax must be collected. Such sales include, among others, sales of dental chairs, instruments, x-ray machines, office equipment, stationery; and sales of supplies, such as dressings, bandages, nonprescription drugs and similar articles. Certain specific items may be purchased without the payment of retail sales tax as discussed below.

(b) Dentists and dental laboratories are required to pay retail sales tax to their suppliers for purchases of orthotic devices or components of such devices which they use or prescribe to their patients as part of the services provided to the patient. Orthotic devices may be purchased exempt of retail sales tax only when prescribed by physicians, osteopaths, or chiropractors for an individual. For example, dentists specializing in the prevention and correction of irregularities in the position of the teeth are required to pay retail sales tax to their suppliers for braces, collars, wires, screws, bands, splints, night guards, etc. See RCW 82.08.0283.

(c) Orthotic devices which are prescribed by physicians, osteopaths, and chiropractors for an individual are not subject to retail sales tax. Orthotic devices are apparatus designed to activate or supplement a weakened or atrophied limb or function.

They include braces, collars, casts, splints, and other similar apparatus, as well as parts thereof. Orthotic devices do not include durable medical equipment such as wheelchairs, crutches, walkers, and canes nor consumable supplies such as elastic stockings, arch pads, belts, supports, bandages, and the like, whether prescribed or not.

(d) The sales tax does not apply to sales of ostomic items, insulin, medically prescribed oxygen, and prosthetic devices. Prosthetic devices are artificial substitutes which replace missing parts of the human body such as a limb, bone, joint, eye, tooth, or other organ or part thereof, and materials which become ingredients or components of prostheses. These materials include plastic, wood, hinges, screws, denture acrylic, porcelain, gold, silver, including any alloys of gold or silver. The following is a list of prosthetic devices or components of prosthetic devices that may be purchased or sold by dentists and/or dental laboratories without retail sales tax applying:

(i) Alloy and mercury - used together to form an amalgam to fill existing teeth;

(ii) Casting alloy;

(iii) Cement - to cement crowns or teeth to bridges or dentures;

(iv) Cavity liner;

(v) Composites - filling material used in the place of alloy;

(vi) Filling material;

(vii) Temporary crowns;

(viii) Acrylics - dentures, crown, and bridge replacement of teeth;

(ix) Reline material - to reline dentures;

(x) Pins - used for retention;

(xi) Endo post - used in restoring teeth without any surface on tooth to support restoration;

(e) The retail sales tax does not apply to sales of prescription drugs to dentists, physicians, or other medical practitioners when sold for the diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment in humans. See WAC 458-20-18801.

(3) USE TAX. Use tax is due when retail sales tax has not been paid on the purchases of supplies and equipment used by a dentist, dental laboratory, or physician in the providing of professional services. This includes orthotic devices used or prescribed by dentists, or dental laboratories when retail sales tax was not paid to the supplier. Refer to subsection (2) of this section (Retail sales tax) for a further discussion of taxable items.

(a) The use tax does not apply to the purchase or use of ostomic items, insulin, medically prescribed oxygen, prosthetic devices or ingredients/components of prostheses.

(b) The use tax also does not apply to purchases of

prescription drugs when purchased for the diagnosis, cure, mitigation, treatment, or prevention of disease or other ailment in humans. See WAC 458-20-18801.

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